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AUGUST 1987

Incentive Marketing

A BILL PUBLICATION

INCORPORATING INCENTIVE TRAVEL

RADIO PROMOTION

- What you can learn from America's hottest companies
- Pushing pills to doctors
- Sales incentive survey
- Measuring sales skills and product knowledge

INCENTIVE MARKETING

AUGUST 1987 83rd Year, Vol. 161, Number 8

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Cover photo of Z100 deejay Scott Shannon by Skip Comer

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FACTS UPDATE

The cost of sales incentive programs edged up a bit this year, partly due to a sharp rise in travel expenditures, but sales gains during campaigns held steady at 21 percent.

A sharp rise in incentive travel expenditures has upped the cost of motivating salespeople this year, although merchandise costs are holding fairly steady. The average sales incentive program now costs twelve percent of incremental sales, up a percentage point from a year ago.

Meanwhile, the average sales gain is holding at the same high level as last year—20.9 percent over previous non-promotion periods.

The rise in cost is not deterring marketers from sales incentive spending. **Incentive Marketing**'s latest survey of users finds them increasing outlays by about 8.5 percent this year. After accounting for the effects of inflation, that rate would be the best real expansion in a decade, except for 1984 when sales incentives exploded by almost 20 percent.

Last year, sales incentive expenditures reached $3.48 billion, up 6.7 percent over 1985. This represented a record-high 26.5 percent of all incentive spending.

Last year's sales incentive activity was better in many areas than its growth figure suggests. While the automotive and farm equipment industries held back the average, 10 industry groups wrote double-digit increases in motivational spending. The growth leaders were food products, up 31.4 percent; pharmaceuticals, up 21.8 percent; building materials, up 20.9 percent, and electric appliances, up 18.1 percent.

Travel was the more aggressive segment last year, with a rise in spending of 7.5 percent, while merchandise expenditures were up 6.5 percent. This year, users predict increased spending for both types: travel, up 8.4 percent, and merchandise, up 8.7 percent. Travel accounts for nearly 25 percent of sales incentive spending.

The average cost of a merchandise award is $340, up 10 percent from a year ago. But a small number of high tickets can distort the average. The median—a truer measure of typical cost—dropped to $100 from $125.

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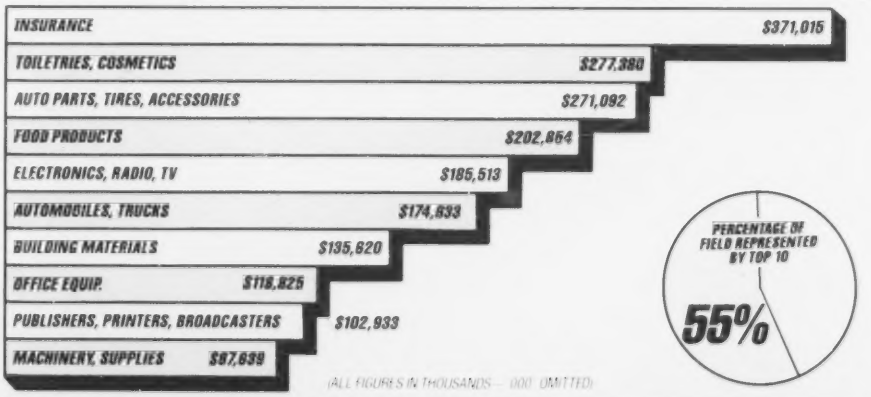
TOP SALES INCENTIVE USERS (1986)



FACTS UPDATE

Among travel users, however, all the numbers point upward. The average trip cost per winner (usually for two people) is now $2,095, up a startling 35 percent from last year. And the median has followed along, rising to $2,000 from $1,500. The cost per person averages $1,404, with a median of $1,000.

Company sales forces remain the top target group for sales incentive campaigns, named by 66 percent of respondents. Following are: manufacturers' representatives, 33 percent; wholesaler or jobber salespeople, 27 percent; retailer salespeople, 19 percent, and direct-selling personnel, 4 percent.

On average, 40 percent of those sales groups qualify for awards. Merchandise programs yield more winners, 49 percent, while 29 percent earn trips.

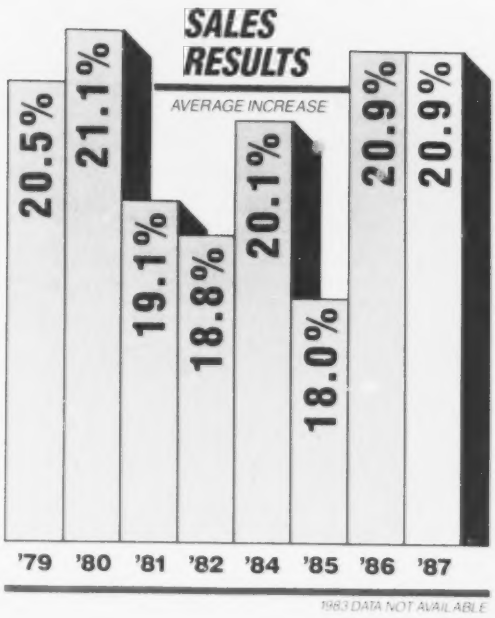
Marketers who use merchandise-only prize structures conduct a median of three promotions per year. Those who use travel only or both types of awards run one program per year. The duration of a travel campaign averages almost twice that of a merchandise promotion: 31 weeks versus 16 weeks.

Partly because of the incidence of yearlong programs, January continues to be the leading month for launching sales incentive campaigns, listed by 39 percent in this survey. September comes second at 29 percent.

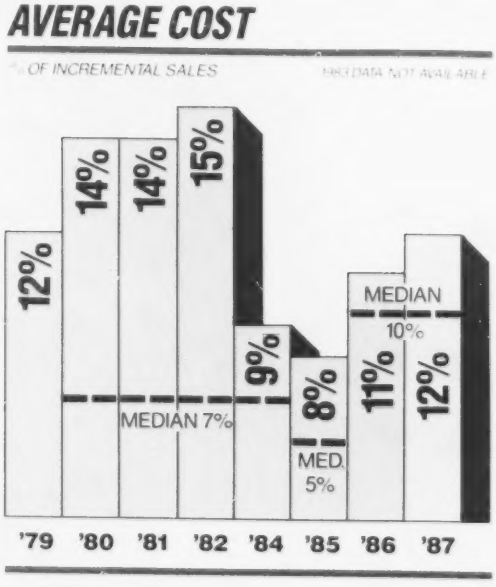
Planning time among this year's survey respondents averages 14 weeks for a merchandise program and 29 weeks for travel.

Most survey respondents—51 percent—apply incentives to selected items in a product line. Full-line promotion is the usual practice of 37 percent, while only 12 percent feature single products.

Fewer respondents cited a generalized objective—to "increase overall volume"—than ever before. Only 59 percent indicated that as a goal, down from 72 percent in 1986 and even higher figures in most previous years. Other reasons include: introducing new products, cited by 47 percent; selling new accounts, 41 percent, and

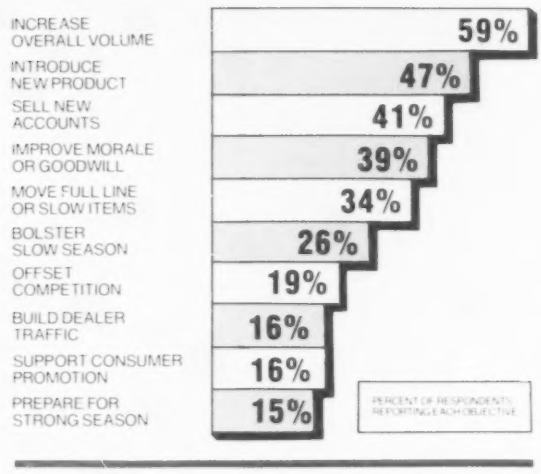


The average trip cost per winner (generally including a guest) soared 35 percent from last year—to $2,095. The median jumped to $2,000 from $1,500.



FACTS UPDATE

SALES INCENTIVE OBJECTIVES

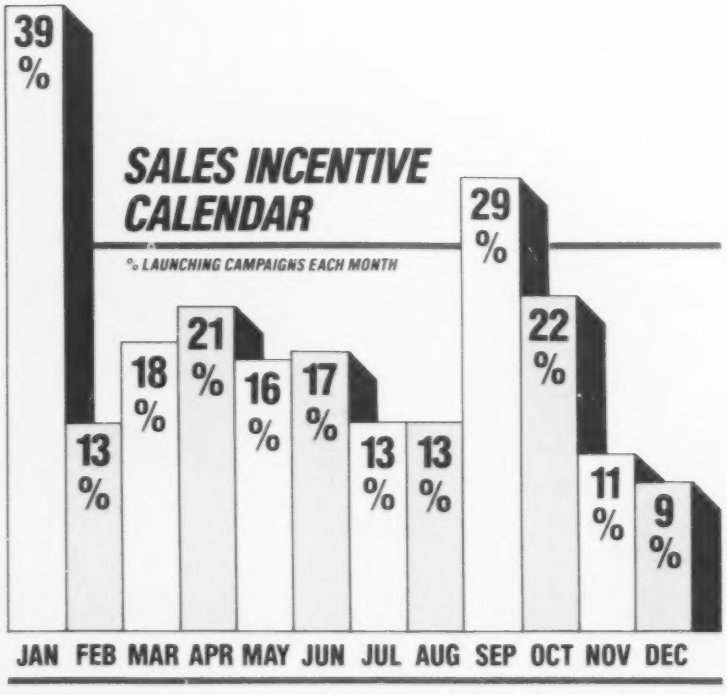


earning award credits before they reach 100 percent of quota. The average point at which participants rate some award is 79 percent of quota, and the maximum award level is reached at 96 percent.

Besides providing for the purchase of awards, incentive budgets usually include a fairly substantial allowance for promotional support: printing, postage, ad specialties or gifts, telephone tolls, meetings or anything to build interest in a campaign. This year's survey group is a bit more liberal in this respect, allowing a median of 19 percent of the total budget for promotion. Last year's survey found the median at 15 percent.

Keeping up interest during a campaign is often a greater challenge in a travel program when the time span is longer and the winners fewer. An Ohio distributor says the biggest difficulty he faces is "the continued motivation of sales personnel during an extended travel promotion." His programs range in duration from 36 to 52 weeks, and he averages about 15 percent winners. He spends only 5 percent of his total budget for promotion but has been achieving his goal of a 20-percent sales gain in most recent years.

An Iowa feed wholesaler has a solution to the ongoing motivation problem which also exists with merchandise programs: "The spouse must be informed of what is going on." He spends 15 percent of the budget on promotion, experiences an 80-percent winner rate and expects sales growth of 24



Planning time averages 14 weeks for a merchandise program and 29 weeks for travel.

percent thanks to his programs this year.

Suppliers present other problems for marketers planning sales incentive campaigns, from uninformed or uncooperative salespeople to volatile air fares and poor merchandise delivery.

The Hewlett Packard Company of Cupertino, Calif., with $7 billion in sales, has never done a full-scale sales incentive program, according to Jerry Gross. "Part (of the reason) is due to the incentive industry's failure to adequately sell its wares. . . . When incentive people call on the company and find we're not an easy or automatic sale, they quickly disappear."

The biggest problem for R. Braswell, director of administration and strategic planning in the automotive computer systems division of Reynolds & Reynolds, Dayton, Ohio, is "finding local, reliable agencies that can properly interpret and understand the way we want our incentive plan to work...not how they say it has to be done."

Marketers evaluate their incentive programs in a number of ways. Most—69 percent—choose the simplest method of counting total units or dollars sold. Other measures include: percentage of people attaining goals, 44 percent; profit on incremental sales, 28 percent; increased market share, 23 percent, and branch or district performance, 13 percent. Many, of course, use more than one measure. ■

Types of award

Single premium or group of related items	46%
Individual travel award	38%
Merchandise selection from incentive house	36%
Group travel award	28%
Own merchandise	20%

Merchandise suppliers

Wholesaler or premium jobber	41%
Direct from manufacturer	38%
Manufacturers' representative	24%
Full-service incentive house	23%

Travel suppliers

Make own arrangements	35%
Full-service incentive house	21%
Travel wholesaler	17%
Travel carrier, hotel	12%

Final buying decision

President, CEO, executive vice president, general manager	55%
Director of sales or marketing	35%
Director of advertising or sales promotion	9%
Product manager or merchandising manager	4%

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